

Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01

CIAE-00 CIEP-01 COME-00 DODE-00 FPC-01 H-02 INR-07

INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04 USIA-06

SAM-01 OES-06 SP-02 SS-15 STR-04 TRSE-00 ACDA-07 /096 W
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R 161915Z AUG 76

FM AMEMBASSY MONTEVIDEO

TO SECSTATE WASHDC 1940

INFO AMEMBASSY BUENOS AIRES

AMEMBASSY BRASILIA

LIMITED OFFICIAL USE MONTEVIDEO 3043

E.O. 11652: N/A

TAGS: ENRG, UY

SUBJ: GOU OFFSHORE OIL EXPLORATION:

CHEVRON DRILLS SECOND DRY HOLE.

REF: MONTEVIDEO 2625

1. ON AUGUST 12 CHEVRON OFFICIAL CONFIRMED PRIVATELY TO EMBOFFS WHAT IS BECOMING INCREASINGLY EVIDENT TO THE GENERAL PUBLIC, THAT THE COMPANY'S SECOND EXPLORATORY WELL IS TURNING OUT TO BE A DRY HOLE, AS WAS THE FIRST (REFTEL). NOW DOWN CLOSE TO 9700 FEET, THE DRILLING IS FINDING CONTINENTAL-TYPE SEDIMENTS NOT USUALLY ASSOCIATED WITH OIL RESERVES. ACCORDING TO CHEVRON, PROSPECTS ARE VERY BLEAK. THE COMPANY WOULD PREFER TO TERMINATE DRILLING NOW BUT HAS AGREED TO CONTINUE TO 12,000 FEET UNLESS VOLCANIC ROCK IS ENCOUNTERED, AS HAPPENED WITH FIRST ATTEMPT. AGREEMENT TO CONTINUE BASED UPON "VERY STRONG DESIRE ANCAP THAT EVERY EFFORT BE MADE TO FIND OIL."

2. THE TWO WELLS DRILLED ARE IN WHAT IS CONSIDERED SHALLOW WATER, WHERE THE ONLY INTERESTING GEOLOGICAL STRUCTURES WERE FOUND.

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CHEVRON ORIGINALLY HAD HOPES FOR DEEPER WATER AREAS AND

CONCENTRATED 75 PER CENT OF ITS SEISMOGRAPHIC STUDIES THERE.
THE ONLY DEEP WATER STRUCTURES FOUND, HOWEVER, WERE UNCLEAR
AND NOT LARGE ENOUGH TO JUSTIFY DRILLING.

3. CHEVRON OFFICIAL EXPLAINED FOREGOING BECAUSE HE WAS CONCERNED
THAT FINDINGS WITH REGARD TO COMPARATIVE ADVANTAGES OF DRILLING
IN SHALLOW, AS OPPOSED TO DEEP WATER, WERE NEVER CLEARLY
TRANSMITTED TO GOU LEADERS BY STATE PETROLEUM COMPANY (ANCAP).
BECAUSE OF THIS AND THE WIDESPREAD EXPECTATION WHICH EXISTED
THAT DRILLING WOULD BE CONCENTRATED IN DEEPER WATER, CHEVRON
FEARS THAT IT MAY BE SUBJECT TO AEDERSE CRITICISM THAT IT
FAILED TO PERFORM IN THE BEST MANNER. LOCAL MANAGER, HOWEVER,
HOPES TO HAVE POSITION CLARIFIED WITH GOU BEFORE DRILLING
ENDS, AND CLEARLY IT IS IN CHEVRON'S INTEREST TO HAVE MADE
EVERY EFFORT TO FIND PETROLEUM.

4. UPON TERMINATION OF DRILLING, CHEVRON WILL TURN TECHNICAL
RESULTS OVER TO A COMPANY TEAM FOR EXTENSIVE REVIEW TO DETERMINE
WHETHER FURTHER EFFORTS SHOULD BE MADE. CHEVRON CONTRACT
PROVIDES A BREATHING SPACE FOR IT TO STOP DRILLING NOW AND
UNDERTAKE SUCH A STUDY, ALTHOUGH IN THE END IT WILL HAVE TO
EITHER CONTINUE FOUR-WELL PROGRAM OR PAY PENALTY FEES OF
\$3 MILLION (REFTEL).

5. COMMENT: AS NOTED REFTEL, GREAT HOPES WERE PLACED ON
FINDING PETROLEUM. CHEVRON IS AWARE OF THESE HOPES, WHICH
ACCOUNT FOR "POLITICAL PRESSURE" TO CONTINUE DRILLING AND
THUS MADE ITS DECISION TO GO TO 12,000 FEET IN SPITE OF CON-
VICTION THAT IT IS UNLIKELY TO SUCCEED. A SECOND DRY HOLE WILL
UNDOUBTEDLY DEEPEN URUGUAY'S DISAPPOINTMENT OVER THE ABSENCE
OF PETROLEUM RESOURCES WHICH THE COUNTRY BADLY NEEDS IN
ORDER TO REDUCE ITS TOTAL DEPENDENCE ON IMPORTED OIL.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM INDUSTRY, NATURAL RESOURCES, EXPLORATORY DRILLING, PETROLEUM CONCESSIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 16 AUG 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ShawDG
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976MONTEV03043
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760314-0763
From: MONTEVIDEO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760850/aaaabrof.tel
Line Count: 94
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 76 MONTEVIDEO 2625
Review Action: RELEASED, APPROVED
Review Authority: ShawDG
Review Comment: n/a
Review Content Flags:
Review Date: 16 JUL 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <16 JUL 2004 by ElyME>; APPROVED <22 OCT 2004 by ShawDG>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: GOU OFFSHORE OIL EXPLORATION: CHEVRON DRILLS SECOND DRY HOLE.
TAGS: ENRG, UY, CHEVRON, ANCAP
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006